

**NEW APPLICATION**

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**BEFORE THE ARIZONA CORPORATION COMMISSION****COMMISSIONERS**

LEA MÁRQUEZ PETERSON, Chairwoman  
SANDRA D. KENNEDY  
JUSTIN OLSON  
ANNA TOVAR  
JIM O'CONNOR

IN THE MATTER OF THE APPLICATION  
OF ARIZONA PUBLIC SERVICE  
COMPANY FOR A HEARING TO  
DETERMINE THE FAIR VALUE OF THE  
UTILITY PROPERTY OF THE COMPANY  
FOR RATEMAKING PURPOSES, TO FIX  
A JUST AND REASONABLE RATE OF  
RETURN THEREON, TO APPROVE RATE  
SCHEDULES DESIGNED TO DEVELOP  
SUCH RETURN.

DOCKET NO. E-01345A-22-\_\_\_\_

**ARIZONA PUBLIC SERVICE  
COMPANY'S NOTICE OF  
INTENT TO FILE A RATE CASE  
APPLICATION AND REQUEST  
TO OPEN DOCKET**

**I. INTRODUCTION**

Arizona Public Service Company (APS or Company) provides notice of its intent to file a rate case application to establish just and reasonable rates for 2023 to maintain its ability to reliably deliver affordable energy while providing a cleaner and more resilient energy future for all APS customers. APS will file its rate case application on or about July 1, 2022, using a test year for the twelve months ending December 31, 2021 (Test

1 Year).<sup>1</sup> If approved, APS's rate case application represents an opportunity for the Arizona  
2 Corporation Commission (Commission) to improve resiliency of Arizona's electricity  
3 infrastructure, create a cleaner and more secure energy supply, and support APS's  
4 continuous improvements in meeting the needs of its customers.

5 APS requests that its application be approved for new rates to become effective on  
6 August 1, 2023. This date is consistent with the administrative rule requiring the  
7 Commission to process APS's rate application within 12 months of the filing of a notice  
8 of sufficiency. *See* A.A.C. R14-2-103(11)(d)(i).

9 APS believes that robust stakeholder communication and engagement help  
10 facilitate the timely processing of a rate application. APS will continue its past practice of  
11 strong cooperation with stakeholders to resolve this rate case effectively and to meet all  
12 compliance obligations from its last rate case. APS has already conferred with several  
13 potential parties on key issues and engaged in stakeholder meetings in advance of filing  
14 this notice to facilitate increased communication and transparency.

15 By this filing, APS provides the Commission and interested stakeholders a 30-day  
16 notice of its intent to file the Company's rate case application. APS requests that the  
17 Commission open a docket for this matter.

## 18 **II. OVERVIEW OF KEY RATE CASE MATTERS**

19 APS's current rates were established by the Commission in Decision No. 78317  
20 (Nov. 9, 2021), based on a test year of July 1, 2018 – June 30, 2019, with rates that went  
21 into effect on December 1, 2021. In order to recover ongoing investments the Company  
22 has made on behalf of customers and provide the requisite financial stability needed to  
23 meet our customers' needs in 2023 and beyond, APS plans to file a rate case application  
24 on or about July 1, 2022.

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27 <sup>1</sup> The Company's rate case filing will consist of: (i) a rate case application; (ii) supporting  
28 schedules pursuant to A.A.C. R14-2-103, including all Standard Filing Requirements  
(SFRs); and (iii) direct testimony. APS will also provide Staff with workpapers, and  
responses to uniform data requests in conjunction with its filing.

1 Arizona's residents and businesses rely on APS to deliver reliable service and to  
2 be prepared for and protect the energy grid from the increasing risks associated with  
3 extreme weather. APS's energy grid provides some of the most reliable electricity in the  
4 country, supporting rapid growth and changing consumption habits across our service  
5 area. To ensure continued reliability, APS has invested substantial capital for the benefit  
6 of customers since the close of the post-test year period (June 30, 2020) for the Company's  
7 2019 Rate Case. This rate case requests recovery of these costs as well as the increased  
8 costs of meeting our obligations to a growing base of customers, while at the same time  
9 ensuring the Company maintains an investment-grade credit rating. With continued  
10 growth in our service territory and increasing inflationary pressure, the rate changes that  
11 APS will be requesting are necessary to enable the Company to maintain and improve its  
12 current level of service to customers. The pending proceeding to establish APS rates for  
13 2023 will focus on a return to balanced ratemaking, which will enable the Company to  
14 make necessary investments to support Arizona's growing economy, resilient  
15 infrastructure, service reliability, improved customer experience, and a clean and secure  
16 energy future for our customers.

17 APS's rate application will reflect the following assumptions and proposals:

- 18 • **Residential Rate Design.** APS aims to keep residential rate structure  
19 changes to a minimum, continue the Commission-directed efforts to provide  
20 customer education focused on rate selection, and work to increase  
21 affordability and narrow the range of bill impacts. APS will also propose  
22 removing payment fees for all customers, including credit card fees and in-  
23 person kiosk fees. APS will further offer the addition of two off-peak  
24 holidays for time-of-use (TOU) rate plans, specifically Juneteenth and  
25 Indigenous Peoples' Day, both of which are recognized as State and Federal  
26 holidays.
- 27 • **Limited-Income Energy Support Programs.** APS and its customers have  
28 a long history of providing bill discounts and assistance to limited-income

1 customers through its Energy Support and Crisis Bill programs. APS  
2 proposes to continue this tradition by keeping these limited-income  
3 programs in place. In addition, and consistent with direction provided in its  
4 last rate case, APS has worked extensively with stakeholders to develop for  
5 the Commission's consideration an alternative tiered limited-income  
6 program that is based on a customer's energy burden and provides greater  
7 support for those with higher financial needs.

- 8 • **AG-X Proposal.** APS will propose modifications to its AG-X program  
9 resulting from collaborative stakeholder participation.
- 10 • **Adjustors.** APS will recommend a comprehensive, customer-focused  
11 change to its current set of seven electricity rate adjustor mechanisms. The  
12 Company has heard the concerns of the Commission and met with  
13 stakeholders to obtain their input. APS will propose consolidations and  
14 enhancements to reduce the number of adjustor mechanisms, increase  
15 collections through base rates, and revise the proposed reset dates to provide  
16 a better customer experience. Our proposed changes will minimize the  
17 frequency of these rate changes providing additional stability and  
18 predictability to customers. At the same time, APS will propose revisions to  
19 its existing renewable-energy focused adjustor mechanism to enable  
20 recovery of capital carrying costs for new clean-energy technology  
21 investments that will enhance Arizona's energy security by making APS  
22 less reliant on externally sourced fossil fuels.
- 23 • **Return on Equity, Fair Value Rate of Return, and Other Financial**  
24 **Items.** There is a direct link between customer service and APS's financial  
25 stability. In this respect, utility financial health is necessary to attract new,  
26 low-cost capital for investment in Arizona that supports the maintenance,  
27 operation, and development of resilient infrastructure that enables reliable  
28 electric service. As such, the Company will propose a cost of equity that is

1 based on current capital market conditions. The Company will seek a  
2 reasonable return on equity (ROE) that successfully balances the interests  
3 of APS and its customers by facilitating the Company's financial stability.  
4 In addition, APS will propose a fair value rate base and a return on the fair  
5 value increment in accordance with the Arizona Constitution. This proposal  
6 will use the "fair value increment" methodology consistent with  
7 Commission precedent as has been done in the Company's prior rate case  
8 proceedings. The analysis supporting APS's request will be filed in the  
9 Company's application and direct testimony.

- 10 • **Post-Test Year Plant Additions.** Overall, APS's post-Test Year plant  
11 (PTYP) additions comprise critical infrastructure investments that leverage  
12 advanced, clean technology to enhance Arizona's energy security, improve  
13 customer service, and develop more resilient infrastructure. Consistent with  
14 prior proposals and Commission orders, APS intends to include PTYP  
15 additions as pro forma adjustments in its rate application, which will be  
16 supported by a detailed breakout of these investments. APS will propose  
17 that these pro forma adjustments include PTYP installed within the 12-  
18 month period following the Test Year, to minimize regulatory lag and  
19 ensure that the recovery of net capital investments will better align with the  
20 proposed rate effective date. In addition, APS is proposing recovery of three  
21 additional major capital projects that will be in service by June of 2023 as  
22 part of its PTYP.

### 23 **III. PRELIMINARY WITNESS LIST**

24 To support the Company's request, the following is a preliminary witness list and  
25 the general anticipated topics each witness will address in their testimony.  
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1	Ted Geisler	Rate Case Overview; APS Impact
2		to Arizona; Customer-Focused
3		Commitment; Revenue
4		Requirement Preview and
5		Importance of Healthy Utility;
6		Base Rate Increase vs. Total
7		Request; Customer Bill Impact;
8		Adjustors Overview; Clean Energy
9		Commitment
10	Monica Whiting	Limited-Income Program Proposal;
11		Payment Fee Removal; TOU
12		Holiday Expansion; Customer
13		Experience
14	Andrew Cooper	Utility Financial Health;
15		Relationship between Financial
16		Health, ROE and Credit Rating and
17		Customer Impacts; Benefits of
18		Minimizing Regulatory Lag; Fair
19		Value Increment
20	Jacob Tetlow	Post-Test Year Plant; Operations
21		and Reliability; Coal Community
22		Transition
23	Justin Joiner	Base Fuel Rate; Fuel Expense and
24		PSA; AG-X Program; Forecasted
25		Clean Energy Resources
26	Jessica E. Hobbick	Revenue Allocation; Adjustor
27		Proposal Details and Plans of
28		Administration; Payment Fee,
29		Revenue, and Various Other Pro
30		Formas; H Schedules; Rate Design;
31		Service Schedules and
32		Programs/Riders; AG-X Program;
33		Schedule 9; Schedule 3
34	Jamie Moe	Cost of Service, including Cost to
35		Serve Solar Customers; Alternative
36		Methods to Allocate Production
37		Plant; Jurisdictional Allocation
38		Factors; SFR A-1; all G Schedules
39		and portions of others;
40		FVI Calculation
41	Elizabeth A. Blankenship	Various SFRs and Pro Formas
42		(Rate Base and Income Statement)
43	Dr. Roger Morin	Cost of Capital; Return on Equity;
44	Outside Expert	Fair Value Rate of Return

1   **IV.   CONCLUSION**

2           APS will file its rate case application on or about July 1, 2022, with a proposed  
3   effective date for new rates of August 1, 2023. APS requests that a docket be opened in  
4   this matter and that the same docket be used when APS files its rate case application.

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6           RESPECTFULLY SUBMITTED this 1st day of June 2022.

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By: /s/ Melissa M. Krueger  
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Theresa Dwyer  
Jeffrey S. Allmon  
Attorneys for Arizona Public Service Company

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12   Electronically filed this 1st day  
13   of June 2022, with:

14   Docket Control  
15   ARIZONA CORPORATION COMMISSION  
16   1200 West Washington Street  
16   Phoenix, Arizona 85007

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